

County Option Income Tax (COIT)

6-3.5-6

Source Data

In order to calculate the basis of the distributions, the Department must use certain data from past years. The following data were taken from the prior year budget order and distribution reports (using LOGODABA) for each county: County codes and names, unit type codes, unit codes and names, certified levies, welfare levies picked up by the state (from 1999 and 2008), the previous year's COIT distributive shares distribution, and the amount of levy imposed for debt issued after June 2005.

The Certified Distributions by county were taken from the Certified Distribution report issued by the State Budget Agency.

Designation of counties that have adopted an ordinance permitting solid waste districts to receive distributions was done using the classifications stored in LOGODABA that informed previous years' distribution reports.

The amounts used for 2010 COIT homestead credits were taken from the property tax abstract submitted by the County Auditor.

Other source data used for more specific calculations will be identified within the discussion of that calculation.

Calculation of the Allocation Amount (IC 6-3.5-6-1.1)

The Allocation Amount has previously been called the "Adjusted Abstract Levy" on distribution reports.

The "allocation amount" is equal to the previous year certified levy, less the levies for post-June-2005 debt, plus the previous year certified distribution, plus the welfare allocation amount.

The levy used for the calculation is the certified levy, not the abstract levy, because the abstract levy reflects the circuit breaker credits issued under IC 6-1.1-20.6. IC 6-1.1-20.6-12 states that LOIT distributions "shall be based on the taxing unit's property tax levy as calculated before any reduction due to credits provided to taxpayers under this chapter." Therefore, the certified levy was used for the purpose of this calculation because it is the levy before any reductions from circuit breaker credits.

The welfare allocation amount is equal to the taxes imposed in 1999 for the county welfare fund and the welfare administration fund plus the taxes imposed in 2008 for the county's county medical assistance to wards fund, family and children's fund, children's psychiatric residential treatment services fund, county hospital care for the indigent fund and children with

special health care needs county fund. This amount is calculated for the county unit only; all other units' welfare allocation amount is zero.

The certified distribution includes only the distributive shares, since the homestead credit portion is given to homestead taxpayers through the credit, not to units of government directly.

Therefore, the Department used the following formula to calculate the basic allocation amount:

$$\text{Allocation Amount} = 2010 \text{ certified levy} - 2010 \text{ levies for post-June-2005 debt} + 2010 \text{ distributive shares} + \text{welfare allocation amount}$$

The calculation of the allocation amount is subject to a number of conditions and adjustments:

- IC 6-3.5-6-1.3 specifies that a solid waste management district is not entitled to receive a distribution of COIT revenues unless the county council passes an ordinance permitting such a distribution.

The Allocation Amount calculation was therefore set to zero for all solid waste management districts for which no ordinance exists to authorize the distribution.

- IC 6-3.5-6-1 defines a civil taxing unit (an entity entitled to receive a COIT distribution) as any entity having the power to impose ad valorem property taxes except a school corporation. This does not include conservancy districts or school districts.

The Allocation Amount calculation was therefore set to zero for all conservancy districts and school districts.

- IC 6-3.5-6-1.1 (a) states that the allocation amount is subject to an adjustment for fire territories which is described in IC 36-8-19-7.5. IC 36-8-19-7.5 states that for the purpose of distributing CAGIT, COIT, CEDIT, and excise tax, a unit that participates in a fire territory is considered to have imposed part of the property tax levy for the territory. The portion of the levy that the unit is considered to have imposed is equal to the fire territory levy multiplied by the unit's property tax levy in the year before formation of the territory divided by the sum of all participating units' property tax levies in the year before formation of the territory. $([2010 \text{ fire territory levy} * (20xx \text{ unit property tax levy} / \text{sum of } 20xx \text{ unit property tax levies})]$, where xx represents the year before the first year the territory imposed a levy.) This is implemented as an adjustment to the calculated allocation amount. The adjustment for a participant unit is the amount calculated by the preceding formula. The adjustment for a provider unit is the negative sum of all the participant units' adjustments.

The Allocation Amount calculation was therefore amended to add the calculated fire territory adjustment amount.

The resulting, final formula for the allocation amount is:

Allocation Amount = IF unit type=conservancy, THEN 0

Else IF unit type=solid waste AND designation=non-recipient, THEN 0

Else IF unit type=school, THEN 0

Else 2010 certified levy – 2010 levies for post-June-2005 debt + 2010 distributive shares + welfare allocation amount + fire territory adjustment

Apportionment of the Certified Distribution

IC 6-3.5-6-18(b) directs a County Auditor to retain from the Certified Distribution the amount needed to replace revenue lost due to the granting of homestead credits and use the rest for distributive shares. The Department must estimate the amount of revenue available for distributive shares by subtracting an estimate of the homestead credit amount from the county's Certified Distribution. The Department assumed that the 2011 homestead credit amount would be equal to the 2010 amount. The Department primarily apportioned the Certified Distribution using the following formula:

Amount for Homestead Credit = 2010 COIT Homestead Credit, as shown on the property tax abstract

(unadjusted) Amount for Distributive Shares = Certified Distribution – Amount for Homestead Credit

IC 6-3.5-6-18(g) introduces a separate calculation to give distributive shares to a unit which did not impose a levy for the distribution year. The unit is given a "zero levy allocation," equal to the portion of the Certified Distribution used for distributive shares multiplied by the unit's previous year budget divided by the sum of the previous year budgets for all units within the county (2011 total distributive shares amount available * (2010 unit budget / sum of 2010 unit budgets)). This amount must be subtracted from the amount of distributive shares that is to be distributed to the remaining units. Therefore, the Department secondarily apportioned the Certified Distribution using the following formula:

Amount for Homestead Credit = 2010 COIT Homestead Credit, as shown on the property tax abstract

Amount for Distributive Shares = Certified Distribution – Amount for Homestead Credit – (sum of "zero levy allocations")

Calculation of the Unit Distributive Shares

IC 6-3.5-6-18(e) gives the formula for calculating each unit's distribution for distributive shares (subject to the "zero levy allocation"). This is equal to the Amount for Distributive Shares (calculated under IC 6-3.5-6-18 after subtracting the "zero levy allocation") multiplied by the unit's allocation amount divided by the sum of all units' allocation amounts.

Since a unit receiving a "zero levy allocation" has received its distributive share amount under a separate calculation, it must be excluded from this calculation. Therefore, the Department used the following formula to calculate each unit's distributive share amount:

$$\begin{aligned} \text{Unit's Distributive Share} = & \text{ IF unit is recipient of "zero levy allocation," THEN "zero levy} \\ & \text{ allocation" amount} \\ \text{Else} & \text{ Amount for Distributive Shares * Unit Allocation Amount /} \\ & \text{ [sum of Unit Allocation Amounts – (sum of "zero levy} \\ & \text{ allocation" recipients' Allocation Amounts)]} \end{aligned}$$